

PROPOSITION ____
[HCR 2032 (2018)]

public retirement systems

ANALYSIS BY LEGISLATIVE COUNCIL

1 Article 29, section 1 of the Arizona Constitution provides that public retirement
2 system benefits shall not be diminished or impaired. The Arizona Supreme Court has
3 determined that this constitutional provision prohibits decreasing a future permanent
4 benefit increase for certain existing retired public employees.

5 Proposition ____ would amend the Arizona Constitution to create an exception to
6 the current prohibition against diminishing or impairing public retirement system benefits by
7 allowing for certain adjustments to the Corrections Officer Retirement Plan that are
8 contained in Senate Bill 1442 (a separate piece of legislation already passed by the
9 Legislature and signed by the Governor in 2017, and not subject to voter approval) and to the
10 Elected Officials' Retirement Plan that are contained in House Bill 2545 (a separate piece of
11 legislation already passed by the Legislature and signed by the Governor in 2018, and not
12 subject to voter approval).

13 If Proposition ____ is enacted by the voters:

14 1. Senate Bill 1442 would replace the current permanent benefit increase with a
15 new compounding cost-of-living adjustment (COLA) for retired corrections officer
16 members and survivors of retired corrections officer members who were hired before July
17 1, 2018.

18 2. House Bill 2545 would replace the current permanent benefit increase with a
19 new compounding COLA for retired elected official members and survivors of retired
20 elected official members.

21 3. For both retirement plans:

22 a. The COLA would be based on the average annual percentage change in the
23 metropolitan Phoenix-Mesa consumer price index, with the immediately preceding year
24 as the base year for making the determination. The adjustment could not exceed two percent
25 of the retired member's or survivor's base benefit each year.

26 b. COLA payments would be made on July 1 each year. The COLA would be
27 prorated in the first year of a member's retirement.

28 c. The actuary would be required to include the projected cost of providing the
29 COLA in the calculation of normal cost and accrued liability for each retirement plan.